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McD's faces U.S. slowdown

By Scott Hume

As McDonald's Corp. rolls out a new advertising theme—"Food, folks and fun"—the fun may be over for the world's largest restaurant chain in its own back yard.

The new jingle from Leo Burnett USA, Chicago, replaces "Good time. Great taste," which has run in variations for five years. The change, announced last week, comes just as McDonald's faces a list of problems longer than its menu.

The company is finally running out of room to grow in the U.S. without cannibalizing its own stores. The chain also is watching the consumer base outgrow its menu and is confronting the unfamiliar possibility that massive marketing spending isn't enough to boost U.S. sales in the face of industry saturation, lower demand and tougher competition.

More and more, McDonald's is relying on international operations. International accounts for 31% of last year's $17.3 billion in overall sales. One brokerage house suggests the figure may reach 41% by 1992.

Not even its toughest critics doubt McDonald's ability to keep overall sales growing; it's the consensus best-managed company in the foodservice industry. But maintaining growth, especially in the U.S., will be much more difficult in the 1990s than it was in the 1980s.

McDonald's domestic sales rose 5.6% to $12 billion last year, due in large part to the addition of 363 stores. But average sales for restaurants open at least one full year rose only 1.6% to $1.6 million, the chain's smallest increase in more than a decade.

Factoring out menu price increases, sales at the average McDonald's declined more than 2.5%, and Prudential-Bache Securities estimates McDonald's real per-store sales averages have fallen for seven consecutive quarters through the end of 1989.

"The theme for the next few years is going to be 'McStruggle,' " said Ron Paul, president of Technomic, a restaurant consultancy. "They're in for some rough times, and it's going to be interesting to see how they respond. They don't deny that real sales and even customer counts are down, and this is a very tough environment in which to try to change that."

McDonald's string of down quarters has come despite a more aggressive approach to

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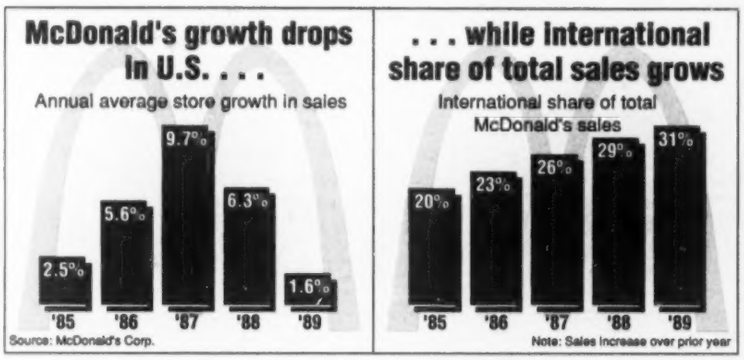

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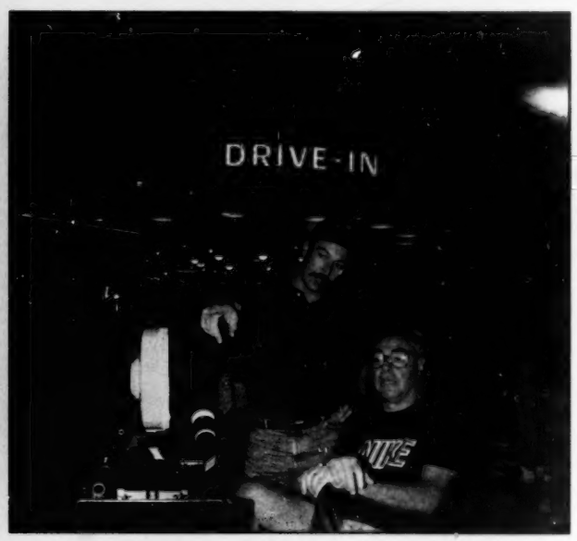

Universal appeal

Director Richard Donner (r.), best known for his "Lethal Weapon" movies, is directing a commercial for Universal Studios Florida. Despite being one of the most expensive commercials ever made, it will run only in central Florida. "I don't have to spend money to get [tourists] here," says VP-Advertising Mike Petty (l.). "Once they're here, we'll beat them to death." (See story on Page 64.)

Eastern finds its Iacocca

O&M gets account; ads to feature trustee

By Jennifer Lawrence

Martin Shugrue, the court-appointed "savior" for financially troubled Eastern Airlines, is planning to become the next Lee Iacocca.

The first Eastern ads from new agency Ogilvy & Mather, picked last week to handle the $45 million account, will feature Mr. Shugrue, who unceremoniously dumped Lintas:New York as the airline's agency.

Within two weeks, the court-appointed trustee will become familiar to consumers through TV commercials and print ads that portray him as a corporate rescuer/healer.

Mr. Shugrue, 49, will follow a flight plan loosely fashioned after Mr. Iacocca's celebrated turnaround of Chrysler Corp. that was helped by an early 1980s federal loan guarantee and his own appearances as a corporate spokesman.

Last week, an ad headlined "An open letter from Martin R. Shugrue" appeared in several East Coast editions of national newspapers. The ad outlined his goals for Eastern.

Mr. Shugrue initiated the ad himself, sources said, without creative help from Lintas.

His task is to guide through Chapter 11 bankruptcy proceedings what one insider called the "most whipsawed company in corporate America." A bankruptcy judge last month took control of the company from Texas Air Corp. Chairman Frank Lorenzo.

One agency source involved in developing the new marketing strategy said Eastern will focus on a new corporate sensitivity—to consumers, labor unions and employees. Advertising will suggest that Mr. Shugrue is no Frank Lorenzo, who fought his airline's unions and failed to manage Eastern to the satisfaction of the bankruptcy court.

Shortly after his own appearance in ads, Mr. Shugrue will share the ad limelight with employees, at least according to initial plans.

In making the surprise agency

(Continued on Page 8)

Martin Shugrue will soon be appearing regularly in ads for Eastern Airlines.

LAST MINUTE NEWS

N.Y. drops PR, magazine tax

ALBANY, N.Y.—Public relations and magazine executives sighed with relief and applauded their own lobbying efforts last week after the Legislature abandoned a proposal to extend the 4% state sales tax to their industries. Several companies in both fields had threatened to move their operations if the plan were approved.

"We're relieved, but on the other hand we're appalled that it ever got to this stage," said Donald Durgin, vice chairman at *Newsweek* and one of a group of magazine executives who traveled to Albany to lobby lawmakers.

"We made a strong case, and thankfully they recognized that," said Donald Kummerfeld, president of the Magazine Publishers of America.

"I really think we made a difference," said David Bicofsky, president of the Public Relations Society of America's New York chapter.

But some industry officials said they won't be certain the proposal is dead until the budget bill is formally published and voted on. A final draft of the overdue budget is expected this week.

Saatchi stock down

LONDON—Saatchi & Saatchi Co.'s share price fell after Havas, Paris, rumored to be planning a bid for Saatchi, issued a statement May 10 saying it's wary of major acquisitions of international ad agencies. Saatchi stock, which

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TV screens carrying ads are showing up in more places, such as health clubs, department stores and doctors' offices.

Clean ads ..... P. 20
Western States Advertising Agencies Association helps L.A. clean up.

Green grocer ..... P. 62
Food Marketing Institute focuses on environmental concerns.

HHCC aims to stem trouble on coasts

By Cleveland Horton and Pat Sloan

Hill, Holliday, Connors, Cosmopulos is shaking up its West Coast office, attempting to steer Infiniti back on course.

At the same time, there are rumblings around its Boston headquarters that all's not well with new client Reebok International.

Hill Holliday today is expected to announce that Charles J. Kushell IV will be recalled to Boston from the Marina del Rey, Calif., office, which created the "rocks and trees" campaign for the upscale car unit of Nissan Motor Sales USA.

Mr. Kushell, exec VP-managing director of that office, will take on the corporate position of exec VP-director of corporate development. Officially assuming his new responsibilities on June 11, Mr. Kushell will assist Jack Sansolo, U.S. president, in finding a new managing director for the California office.

Earlier this month, the agency abruptly dismissed John W. Palmer, the senior VP-management supervisor who headed up Infiniti's national advertising account team. Walter A. Verbanic was named to replace him.

Mr. Verbanic, 43, came from Grey Advertising's Cypress, Calif., office, where as senior VP-management supervisor he managed the Mitsubishi Motor Sales of America account.

This reorganization follows the departure earlier this year of Exec VP-Creative Director Don Easdon. He was succeeded by Dan Mountain, formerly with Hal Riney & Partners, who created the current product-oriented campaign for Infiniti.

Infiniti plans to continue running similar advertising through the end of this year, said David Hubbard, Infiniti national advertising manager.

On the East Coast, there have been rumblings that Hill Holliday may be having some problems with the Reebok account.

Reebok plans to screen its new spot featuring celebrity endorser Madonna at its June sales meeting in Hawaii, but no creative has been produced yet. Reebok last week approved two Hill Holliday creative ideas for the account, including at least one Madonna execution.

But the Madonna creative still must be approved by the singer. Until she approves advertising, her Reebok agreement isn't finalized, sources say.

Some sources said the account is safe and that Reebok Chairman Paul Fireman is just being tough on Hill Holliday.

One source said the agency might be in danger of losing the account, but others said the account is safe and that Reebok Chairman Paul Fireman is just being tough on Hill Holliday, nixing all except one or two of its ideas for ads.

"Paul is being Paul . . . and working them over now that they have the account," noted one source close to the company. "But [Hill Holliday] will do whatever it takes to keep the business."

Both Reebok and Hill Holliday management denied there's any trouble between them.

Jack Connors, president-ceo of the agency, described Hill Holliday's relationship with Reebok as "spectacular" and said there are no problems handling the account.

Likewise, Mr. Sansolo and Infiniti executives said their relationship is firm despite the persistent rumors to the contrary, fueled by rapid reversals in creative strategy and the agency management changes.

Hill Holliday "was never out of our good graces," Mr. Hubbard said of Infiniti. "They're not in any jeopardy" of losing the account.

When asked last week about Mr. Kushell's reassignment, Mr. Hubbard said he was unaware of it.

The changes in the West come as Infiniti and Hill Holliday are in the midst of market planning for the fall. Mr. Sansolo characterized the timing of Mr. Kushell's appointment as "perfect." He's replacing Susan Smith, who recently was named managing director of the agency's New York shop.

Mr. Sansolo added he's been spending time in the West Coast office to assist on the Infiniti account for several months.

Infiniti sales, though improving, still trail rival Lexus, the upscale division of Toyota Motor Sales USA. In April, Infiniti sold 1,661 cars, compared with Lexus' 5,117.

Infiniti has never revealed its internal sales projections but insists its goal is nowhere near Lexus' projected first-year sales of 60,000 vehicles.

Infiniti dealers seem pleased with the new direction of the TV campaign, which uses a more conventional approach than the launch effort.

For Reebok, Mr. Connors said Hill Holliday is in preproduction on two spots and some of the material tested in focus groups is being produced.

He also noted that the agency is "working out a situation where Bill Heater will be actively involved with Hill Holliday" in what he described as an active part-time consulting role on unspecified Boston-office accounts, believed to include Reebok.

Mr. Heater is a former exec VP-creative director at Hill Holliday who resigned late last year but

(Continued on Page 62)

DMB&B eyes Mars

By Jon Lafayette

NEW YORK—D'Arcy Masius Benton & Bowles is trying to get some satisfaction from Mars Inc., which is getting its own satisfaction from the Rolling Stones.

Already handling much of Mars' pet foods internationally, D'Arcy is making presentations for the $20 million Whiskas domestic cat food account, sources say. The account is now at Backer Spielvogel Bates.

D'Arcy already handles several M&M/Mars candy products in the U.S. and abroad, and has also pitched the Snickers account, another $20 million brand at Backer.

Sources close to secretive Mars say it's unlikely the company would move the Snickers business because it recently paid nearly $2 million for the worldwide rights to the Rolling Stones' "Satisfaction."

Backer is producing commercials using the song in London, and they're expected to air in the U.S. later this year.

Mars is much more likely to ness, sources say, because it has a longstanding policy of keeping more than one agency involved in major lines of business.

John D. Murray, VP-marketing and sales at Kal Kan Foods, which makes Whiskas, said Kal Kan has no plans to shift any business away from Backer.

"We have no intention of moving from BSB," Mr. Murray said. "There is absolutely no question of changing the agency."

But others sources aren't so sure that's true.

D'Arcy had handled Crave cat food until it was renamed Whiskas in 1988 and the assignment was consolidated at Backer, which already handled several other pet food brands. At the time, Mars insisted Kal Kan Foods give D'Arcy an opportunity to repitch the business after a period of time.

"Backer has to be 25% better than D'Arcy to hold onto the business, because all things being equal, they'd rather have more than one agency," said one executive close to Mars. "That's not going to be easy to do."

Last week, Kal Kan broke a new Backer campaign for Whiskas using the theme, "The world's most preferred food for cats." The spots feature celebrity cat owners Marlee Matlin, the Oscar-winning actress, and Mike Singletary, the Chicago Bears linebacker.

Backer also handles Sheba cat food and Kal Kan Pedigree dog food in the U.S. for Mars.

Mars had set no timetable for deciding on whether to reassign its pet food brands, sources say.

"That company moves like a glacier usually," said an executive who formerly worked for a Mars agency.

Executives at D'Arcy and Backer declined comment.

Mars is also believed to be concerned about reports that former Ted Bates Worldwide Chairman Robert Jacoby might try to buy Backer Spielvogel Bates Worldwide from parent Saatchi & Saatchi Co., London, and earlier reports of Backer Chairman Carl Spielvogel's offer to purchase his agency. □

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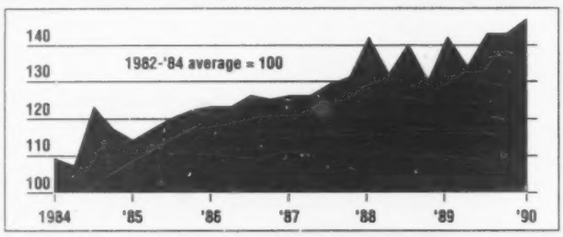
ABP MPA

Tough times for ad spending

National advertising index

The McCann-Erickson national advertising indexes are key barometers of the month-to-month changes in national advertising spending. These indexes are seasonally adjusted measures of the monthly advertising revenues for the major national media. The general index is a composite of network TV, spot TV, magazines and newspaper expenditures by national advertisers.



Month	General index	Network TV	Spot TV	Magazines	Newspapers
1989					
January	145	129	157	161	142
February	143	128	150	157	147
March	142	124	157	155	137
April	140	130	149	157	122
May	140	129	149	163	118
June	134	118	145	155	124
July	145	136	152	160	134
August	140	127	153	146	138
September	143	129	151	155	144
October	137	125	138	158	135
November	138	124	148	151	132
December	143	130	154	154	138
Average	**141**	**127**	**150**	**156**	**134**
Change over 1988	**3.7%**	**(0.7%)**	**2.9%**	**10.6%**	**3.7%**
1990 (preliminary)					
January	152	140	165	159	146
February	153	144	161	159	153
March	147	136	156	162	134
Average	**151**	**139**	**167**	**161**	**144**
Change over 1989	**5.1%**	**10.2%**	**3.9%**	**1.5%**	**1.6%**

Source: McCann-Erickson

By Robert J. Coen

Advertising's re-expansion is still on hold.

A significant upturn in ad spending was expected to appear at the end of last year, leading into better trends for 1990. The strong network TV upfront sales market in mid-'89 was considered to be a leading indicator of improving growth.

But now that the final figures for the closing months of 1989 are on the record, it's apparent better times will be temporarily delayed. It's inevitable, however, that re-expansion will arrive once economic uncertainties diminish.

Fourth-quarter 1989 network prime-time ad sales were very strong, but the increases in other dayparts were disappointing. A number of other media also experienced weaker than expected ad growth in the closing months of '89. U.S. economic growth slowed considerably in the quarter, and it's now clear the expected strong surge in 1990 ad growth is on hold.

The final figures for 1989 add up to a 5% growth in advertising compared with nominal gross national product growth of 7.2%. The 1990 economy is in the doldrums, and the poor economic performance in the closing months of last year has led to even tighter budget controls so far this year.

The consensus forecast for 1990 GNP growth is 6%. Back in December, we expected a 6% growth in ad spending in 1990, but current trends suggest this forecast may be difficult to attain.

We now expect U.S. ad expenditures to rise somewhere between 5% and 6% in 1990.

U.S. ad expenditures should exceed $130 billion this year, but they're not likely to surpass the $132 billion mark we forecast in December.

Nevertheless, there are signs that many national marketers are gradually re-expanding the role of traditional advertising in their marketing activities.

Final 1989 figures

The final 1989 ad spending total was $123.9 billion. The 5% gain just beat inflation, which, as measured by the U.S. Consumer Price Index, was 4.8%.

We expected a slowdown in ad growth last year because it was a post-Olympic year. Few could

(Continued on Page 59)

U.S. advertising volume

The McCann-Erickson U.S. advertising volume reports represent all expenditures by U.S. advertisers—national, local, private individuals, etc. The expenditures, by medium, include all commissions as well as the art, mechanical and production expenses that are part of the advertisers' budget for each medium.

Medium	1988 Millions of dollars	1988 % of total	1989 Millions of dollars	1989 % of total	% chg
NEWSPAPERS					
National	3,586	3.0	3,720	3.0	3.7
Local	27,611	23.4	28,648	23.1	3.8
Total	**31,197**	**26.4**	**32,368**	**26.1**	**3.8**
MAGAZINES					
Weeklies	2,646	2.2	2,813	2.2	6.3
Women's	1,504	1.3	1,710	1.4	13.7
Monthlies	1,922	1.6	2,193	1.8	14.1
Total	**6,072**	**5.1**	**6,716**	**5.4**	**10.6**
FARM PUBLICATIONS	196	0.2	212	0.2	8.0
TELEVISION					
Network	9,172	7.8	9,110	7.4	(0.7)
Cable (nat'l)	942	0.8	1,197	1.0	27.0
Syndication	901	0.8	1,288	1.0	42.9
Spot (nat'l)	7,147	6.0	7,354	5.9	2.9
Spot (local)	7,270	6.2	7,612	6.1	4.7
Cable (non-network)	254	0.2	330	0.3	30.0
Total	**25,686**	**21.8**	**26,891**	**21.7**	**4.7**
RADIO					
Network	425	0.4	476	0.4	11.9
Spot (nat'l)	1,418	1.2	1,547	1.3	9.1
Spot (local)	5,955	5.0	6,300	5.1	5.8
Total	**7,798**	**6.6**	**8,323**	**6.8**	**6.7**
YELLOW PAGES					
National	944	0.8	1,011	0.8	7.1
Local	6,837	5.9	7,319	5.9	7.0
Total	**7,781**	**6.7**	**8,330**	**6.7**	**7.1**
DIRECT MAIL	21,115	17.9	21,945	17.7	3.9
BUSINESS PAPERS	2,610	2.2	2,763	2.2	5.9
OUTDOOR					
National	628	0.5	653	0.5	4.0
Local	436	0.4	458	0.4	5.0
Total	**1,064**	**0.9**	**1,111**	**0.9**	**4.4**
MISCELLANEOUS					
National	10,454	8.9	10,998	8.9	5.2
Local	4,077	3.4	4,273	3.4	4.8
Total	**14,531**	**12.3**	**15,271**	**12.3**	**5.1**
National total	**65,610**	**55.6**	**68,990**	**55.7**	**5.2**
Local total	**52,440**	**44.4**	**54,940**	**44.3**	**4.8**
Grand total	**118,050**	**100.0**	**123,930**	**100.0**	**5.0**

Source: Prepared for Advertising Age by Robert J. Coen, McCann-Erickson

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People, Precision and Performance

Agency employment decline continues

By Gary Levin and Jon Lafayette

The top 10 U.S. agency employers dropped 80 people from their payrolls in a recent six-month period, continuing a long-term downsizing trend, according to the latest *Advertising Age* survey of agency employment trends.

Advertising-related jobs with the top 10 employers fell 0.4% to 21,438 as of April 1, after an average 1% gain reported as of Oct. 1.

Seven of the agencies, including five in New York and two in Chicago, reported minor staff reductions averaging less than 1%.

Lintas:USA and Ogilvy & Mather Worldwide said their U.S. staffs grew slightly, while Saatchi & Saatchi Advertising reported no change *(see chart)*. Lintas became the seventh-largest employer, switching places with D'Arcy Masius Benton & Bowles.

DMB&B/USA President Clayton Wilhite said he's "holding the line pretty closely" on staffing, in part due to increased compensation pressures from clients.

Mr. Wilhite said most clients have adjusted to the fact that lower compensation often means less staffing, but "there are clients who, when faced with the explanation we offer, express some surprise."

Other shops expressed the same sentiment.

"We're obviously trying to become more productive, cutting down on corporate overhead and reducing support staffs around the world through attrition and minor layoffs," said Graham Phillips, chairman-ceo of Ogilvy & Mather Worldwide.

"We're trying to get more efficient, be more productive," said Edward Wax, chairman-ceo at Saatchi & Saatchi North America. "When someone leaves, hiring a replacement is not automatic. We want people to justify hiring someone to fill the spot."

But he said he gets few client complaints about reduced staffing.

"I don't think clients count people, they look at the quality of service," Mr. Wax said. "If the work's good, we've got no problem."

Despite an average 1% increase reported as of Oct. 1 (AA, Nov. 13), the long-term trend continues downward and isn't expected to reverse.

The American Association of Advertising Agencies said the average number of employees per million dollars in billings—a long-standing benchmark of productivity—dropped to 1.73 in 1988 from 2.37 in 1984, the last year before major agency mergers began.

In these uncertain times, many agencies are concentrating on upgrading their staffs, not simply expanding them.

"We're not going to find ourselves in the position in the next year or two of adding talent in terms of numbers," said Ronald Burns, ceo of J. Walter Thompson Co.'s North American unit. "What we're talking about is adding quality in terms of the numbers we have." □

Scott Hume contributed to this story.

Agency employment rankings

Total staffing at the top 10 U.S. agency employers dropped slightly in the most recent six-month period, continuing a long-term industrywide trend.

Rank	Agency (October ranking)	October 1989	April 1990	% chg
1	Young & Rubicam (1)	3,093	3,091	(0.1)
2	J. Walter Thompson USA (2)	2,585	2,564	(0.8)
3	Foote, Cone & Belding (3)	2,410	2,380	(1.2)
4	Leo Burnett USA (4)	2,181	2,174	(0.3)
5	Ogilvy & Mather (5)	2,084	2,096	0.5
6	Grey (6)	1,926	1,916	(0.5)
7	Lintas:USA (8)	1,883	1,900	0.9
8	DMB&B (7)	1,886	1,874	(0.6)
9	McCann-Erickson (9)	1,790	1,763	(1.5)
10	Saatchi & Saatchi (10)	1,680	1,680	—
	TOTALS	**21,518**	**21,438**	**(0.4)**

Source: Advertising Age

Chiat wins work in Minneapolis

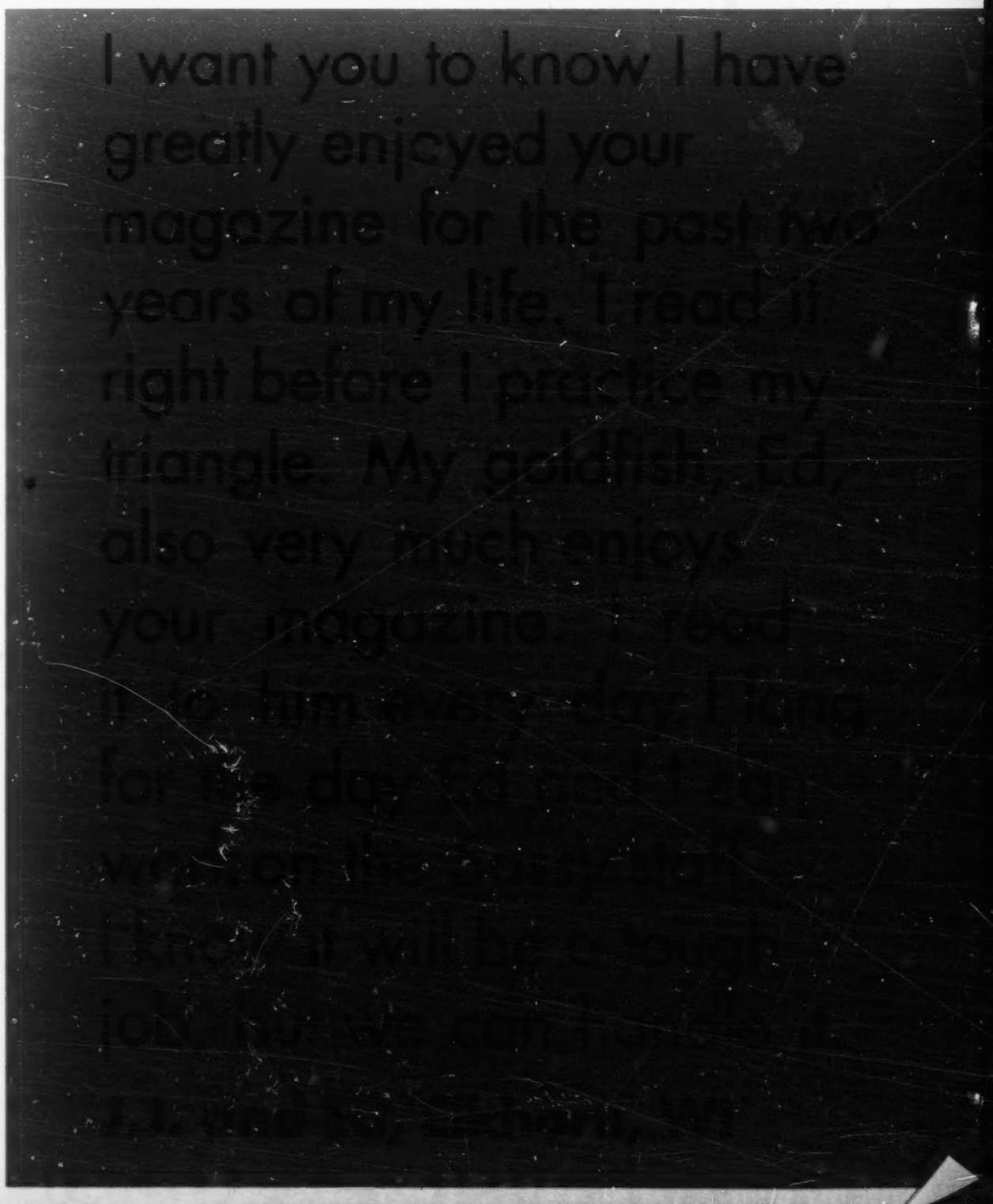
MINNEAPOLIS—Speculation that Chiat/Day/Mojo will expand its office here to full-service status could grow with the agency's recent win of the $1 million-plus Ringer Corp. natural lawn and garden products account.

"You never know, but you can't read that [full-service status] out of the acquisition of a single account," said Tom McElligott, exec VP-executive creative director.

Ringer, based in Eden Prairie, Minn., is the first Twin Cities client to land at Chiat since Mr. McElligott opened the office in January (AA, Jan. 22).

Mr. McElligott said he will manage Ringer's creative work from here; account work will be handled from Toronto, led by Tony Wright, VP-director of account management. Slater Hanft Martin, New York, previously handled.

Mr. McElligott added that he's closely involved with creative work for the Calvin Klein Eternity and Obsession fragrances. □


I want you to know I have
greatly enjoyed your
magazine for the past two
years of my life. I read it
right before I practice my
triangle. My goldfish, Ed,
also very much enjoys
your magazine. I read it

Brazilian doldrums

Anti-inflation plan hits ad spending

By Julia Michaels

SAO PAULO—Brazil's largest ad agencies, including U.S.-based multinationals, are reducing staff and other expenses to adapt to marketers' massive ad spending cutbacks.

Ad executives here say the prognosis isn't good for the industry as marketers respond to newly installed President Fernando Collor de Mello's plan to curb Brazil's 1,765% inflation rate.

Large agencies have seen billings drop an average of about 35% since the plan went into effect in March, said Paulo Salles, co-founder of Salles/Inter-Americana.

The government has frozen corporate and individual investments and savings for at least 18 months.

Real estate, automobile, computer and sportswear companies have stopped most advertising, and cigarette marketers have cut back spending as well.

"Ad spending has been almost zero in the past 30 days," said Carlos Eduardo Jardim, R.J. Reynolds Tabacos do Brasil corporate spokesman.

Many advertisers, including Gessy Lever, reacted to the inflation-fighting plan by immediately stopping short-term ad spending plans. And though several food, electronics, retail and personal hygiene marketers are gradually resuming TV commercials, even those companies are spending just a fraction of their original ad budgets.

"Economists say the [gross national product] will shrink 10% to 15% this year, and I think the ad industry will follow suit," said Luiz Celso de Piratininga, president of the Brazilian Association of Advertising Agencies.

"Economists say the [gross national product] will shrink 10% to 15% this year, and I think the ad industry will follow suit."

Brazil's agencies billed around $2.5 billion last year, but he estimates that will drop to $2.1 billion to $2.2 billion in 1990.

The ad spending cuts have had "an adverse effect on our company financially; it's hurt us in that marketplace," said Peter Schweitzer, New York-based vice chairman-agency operations at J. Walter Thompson Co.

"We hope we're going to be out of it by the end of the year," Mr. Schweitzer added. "We have no intention of pulling out of the country."

The agency laid off 20 to 25 people from its offices here and in Rio de Janeiro; 332 staffers remain.

"Our revised [second-quarter] billings [estimates] are 30% under budget," said John Florida, president of JWT in Brazil.

Young & Rubicam laid off 20 employees last month, half of them in support jobs; 109 staffers remain.

Salles cut 60 of its 549 staffers. No creative or production people have been cut, Mr. Salles said, but two VPs and four directors were laid off.

MPM Propaganda, Brazil's largest agency, reorganized its staff late last year, anticipating reduced 1990 business. At that time, the staff here was cut 21.1% to 292 members. The office accounted for about half of MPM's $220.7 million in billings last year.

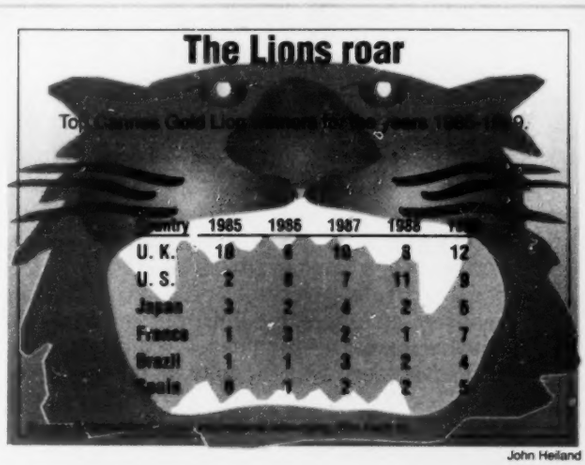
"We expected billings of $6.4 million in April and got only $3.6 million," said Petronio Correa, MPM partner-founder. MPM is an affiliate of Grey Advertising.

Other agencies made no staff reductions but cut back on the workweek. For example, Almap/-BBDO, minority-owned by BBDO Worldwide, cut wages by 25% and work hours by 30%.

The plan hasn't been all bad news for agencies, however. When there are ads to make, there are big savings on production and media, down as much as 40% since the plan was announced.

The average bare-bones 30-second TV spot now costs $75,000 to $100,000 to produce. Media costs also have dropped. Further, the networks have extended their payment terms from 15 days to 90 days. □

Jon Lafayette and Gary Levin in New York contributed to this story.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France 1 3 2 1 7
Brazil 1 1 3 2 4
Spain 0 1 2 2 5

John Heiland

Agencies begin annual Lion hunt

By Julie Skur Hill

Recent political events could give even Jimmy the Greek trouble in making odds on which country will win the most Gold Lions at the International Advertising Film Festival June 18 to 23 in Cannes.

Brazil won four golds last year, placing among the top five worldwide winners. But this year, Brazilian agencies will be entering a relative handful of ads—about 35 to 40—compared with last year's 171. Earlier this year, President Fernando Collor de Mello imposed severe economic restrictions that have forced agencies to closely watch expenses such as entry fees.

The reduction in Brazilian entries could pave the way for other countries to take more Gold Lions.

At the 1989 festival, the U.K. walked away with the most Gold Lions, 12, while the U.S. came in second with nine *(see chart)*. The U.K. had 461 entries last year vs. 826 for the U.S.

In the past five years, the country earning the most Gold Lions has seesawed between the U.K. and U.S.

Since 1985, Spain and France have been forces to be reckoned with. Five years ago, France claimed only one Gold Lion while Spain won none. Last year, France had 361 entries and took seven Gold Lions, the third highest total, while Spain had 250 entries and won five Gold Lions, including the top prize, the prestigious Grand Prix.

Japan has also gained ground, winning five Gold Lions last year on 274 entries, compared with three in 1985. □

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Telemedia in U.S.

(Continued from Page 24)

goal is to develop circulation in the city to 80,000.

Mr. Van de Kamer said Telemedia so far has focused on New England-based titles because of geographic and cultural ties between the region and Canada.

But recognizing the realities of the market, the company earlier this year opened its first ad sales office in New York.

After the initial bite-size acquisitions, which were easily digested by the parent company, Telemedia decided to make its first substantial investment in the U.S. with the launch of *Eating Well*, the brainchild of *Harrowsmith* Publisher James Lawrence.

The every-other-monthly will focus on the relationship between food and health. Initial rate base is 225,000. *Eating Well* is expected to carry an average of 40 ad pages per issue in its first year and will compete with such titles as *Bon Appetit, Cooking Light, Cook's, Food & Wine* and *Gourmet*.

The launch comes at a time when magazine ad pages are down and many industry analysts are predicting a shakeout. But Craig Neal, associate publisher of *Eating Well*, said he expects to meet all launch goals. The title's low charter rates have already pulled in several marketers, he said.

Telemedia expects to spend at least $10 million on *Eating Well* before it's profitable. But the food magazine has the potential to triple Telemedia's U.S. revenues, now at $12 million.

In 1992, if *Eating Well* is alive and growing and its sister publications are profitable, Telemedia will move to the second phase of its nine-year plan.

"We'll take a fairly substantial chomp at another acquisition, only this time, it would be a profitable acquisition," Mr. Van de Kamer said. "Then we'd sit with that for three years and then take another chomp at another large acquisition that will put us in the $80 million to $90 million range.

"After the last three years," he said, "we'll take another more substantial chomp. Our goal is to be a fairly significant media company by 1998." □

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Dairy board ads slashed

WASHINGTON—The National Dairy Promotion & Research Board's ad budget for fiscal 1991, begun May 1, is down 10.9% to $57 million.

Butter advertising took the biggest cut, down 42.4% to $8 million, an official said. Grey Advertising, New York, handles that account.

Other dairy board agencies are DDB Needham Worldwide, New York, and McCann-Erickson Worldwide, San Francisco. □

Ad spending forecast

(Continued from Page 12)

foresee, however, a severe hurricane and earthquake and the virtual absence of economic growth toward the end of the year.

In light of these adverse happenings, we can better understand the current softness in advertising activity and also recognize the reasons why it will eventually get better.

National advertising rose by 5.2%, compared with a gain of only 4.8% for local advertising. However, the trend in mass consumer media demand was better than the overall change implies, because direct mail advertising was included in the national ad total. Direct mail expenditures are counted in the national advertising total because the mail can't be opened and clearly identified in terms of origination and destination.

In 1989, mail advertising piece volume dropped sharply because of higher postal rates, and ad revenues for this large medium were up only 3.9%.

Excluding direct mail revenues, national advertising increased 5.7% last year. This compares favorably with 5.5% in 1985, 4.9% in 1986 and 4.6% in 1987, the last three non-Olympic years.

The trends in national advertising have been gradually strengthening and are basically better than recent reports suggest.

Local advertising, with a rise of only 4.8%, was another reason for the underperformance of advertising in 1989.

Retail advertising in newspapers was the most visible sign of softness, as debt-burdened department stores cut ad linage sharply. But other local media also were affected by the competitive change in retail advertising, and local ad revenue growth in most media was lower than it had been in recent years.

Local media revenue growth was further depressed by a falloff in classified help-wanted and real estate ads.

Unlike national advertising trends, local advertising is not yet showing signs of improvement.

Outlook for 1990

The outlook for 1990 appeared to improve at the beginning of the year, before it was clear that economic expansion had stalled. Unfortunately for the sellers of advertising time and space, ad expansions tend to lag behind an upturn in business conditions.

Economic expectations are for only moderate improvement relative to last year's fourth quarter, and 1990 will fall short of being a really good ad year as related to the economy.

During the first quarter, local ad spending reports became even more gloomy. The most important local medium, newspapers, has experienced more declines in retail and classified ad linage levels.

Although the rest of 1990 may improve somewhat, it will still be a year of mediocre growth in local advertising. The outlook for national ad budget growth appears a little better.

The McCann-Erickson General Index of national ad spending shows a preliminary estimate of 5.1% growth in the first quarter of 1990 despite a lot of negative pressures. Growth in the second quarter should be somewhat better, and unless the economy turns sour in the second half, the projection for national ad growth should remain on track.

Most of the current reports on the state of the advertising industry tend to suggest a worse condition than the one that truly exists. An expansion in advertising activity is long overdue and, in time, it will make its appearance.

Things are not as bad as they appear, but strong re-expansion is temporarily on hold. □

Mr. Coen is senior VP-director of forecasting at McCann-Erickson Worldwide, New York.

Halsa gets new image

RACINE, Wis.—S.C. Johnson & Son is giving Halsa a new image.

Last week, it relaunched the eight-item shampoo and conditioner line i redesigned packages with a contemporary European spa image.

A $10 million network and cable TV, magazine and point-of-purchase campaign from Foote, Cone & Belding, San Francisco, supports.

This is the first effort since FCB won the account last year from Lotas Minard Patton McIver, New York.

Halsa had a 5% share of the $1.9 billion shampoo and conditioner segment in 1985, its launch year, but by last year had fallen to 2%, said Diana Temple, a health & beauty aids analyst from Salomon Bros. □

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